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#### For the WIFIA Application Instructions

The U.S. Environmental Protection Agency (EPA) will invite selected applicants to submit an application for Water Infrastructure Finance and Innovation Act (WIFIA) loans. Unsolicited applications will not be considered. Following selection, each selected applicant will be assigned a transaction team led by an underwriter. The transaction team can answer the applicant's questions regarding the application form, its attachments, and the project review, negotiation, and closing processes.

**The applicant should answer all questions in this form. It may indicate if a requirement is not applicable to its project.** Narrative answers can reference source documents by including the name of the document and relevant pages or sections and providing any referenced documents as attachments. The applicant must sign the Certification in the appropriate space and submit a scanned version of the signature pages to EPA. If the applicant anticipates a delay in one or more source documents, it should discuss the situation with its transaction team and indicate the anticipated date of submitting that document in the application. Additionally, the applicant is required to notify and submit to EPA any updated application materials that become available during the review period. EPA may request additional items from applicants on a case-by-case basis.

The applicant may assert a Confidential Business Information (CBI) claim covering part or all of the information submitted to EPA as part of its letter of interest, in a manner consistent with 40 C.F.R. 2.203, 41 Fed. Reg. 36902 (Sept. 1, 1976), by placing on (or attaching to) the information a cover sheet, stamped or typed legend, or other suitable form of notice employing language such as trade secret, proprietary, or company confidential. The applicant should also state whether it desires confidential treatment until a certain date or until the occurrence of a certain event. Information covered by a business confidentiality claim will be disclosed by EPA only to the extent and only by means of the procedures set forth under 40 C.F.R. Part 2, Subpart B. Information that is not accompanied by a business confidentiality claim when it is received by EPA may be made available to the public by EPA without further notice to the applicant. More information about CBI is available in the WIFIA program handbook and frequently asked questions (FAQ) available at <http://www.epa.gov/wifia>.

The applicant must submit a non-refundable application fee. The application fee is \$25,000 for an application for a project serving small communities (population of not more than 25,000 people). For all other project applications, the application fee is \$100,000. For further information regarding the application fee, as well as the credit processing fee which will be charged at loan closing, and any other applicable fees, please see the [WIFIA fee rule](#).

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#### WIFIA Application Submission

The final application submission must include:

1. Completed application form;
2. All attachments requested and referenced in this form; and
3. The application fee.



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The applicant should reference the supporting document checklist provided on page 4 to ensure all needed information is provided in the application submission. Upon receipt of the application fee and materials, EPA will provide a confirmation email.

**Application Form and Attachment Submittal:** When finished, the application form and attachments must be uploaded to EPA's SharePoint site. To be granted access to the WIFIA SharePoint site, the applicant should email the WIFIA Underwriter assigned to the applicant with the names and emails of all staff that need access.

**Application Fee Submittal:** The applicant should use of Pay.gov to make electronic payments to EPA. In Pay.gov, the applicant can track its payments to EPA and schedule recurring or automatic payments. Although it is not mandatory to register for a user id to access and use Pay.Gov, registration is recommended to have access to all Pay.gov system functionality. To use Pay.gov, follow these instructions:

1. Access the Pay.gov system by going to <https://www.pay.gov> and search for WIFIA or click on the following hyperlink to directly launch the [WIFIA Loan Collection & Fees Form](#).
2. Provide the following information on the payment to ensure proper credit:
  - Remitter's contact phone number
  - Company/Organization Name as it appears on EPA document
  - Complete address, including city, state, zip code
  - Project Name
  - Loan Number: this is EPA WIFIA Loan number, NOT the remitter's number
  - From the "Payment Type" drop down menu select "Application Fee (Fee01)"
  - Other Description: please enter the EPA WIFIA Loan number followed by -FEE01, for example 16123DC-FEE01
3. Follow the remaining on-screen instructions to successfully process the payment to EPA.
4. Send an email to [OCFO-OC-ACD-WIFIA@epa.gov](mailto:OCFO-OC-ACD-WIFIA@epa.gov) and [wifia\\_portfolio@epa.gov](mailto:wifia_portfolio@epa.gov) informing that a payment has been made.

The application fee may also be paid via FEDWIRE; for questions about payments, email to [OCFO-OC-ACD-WIFIA@epa.gov](mailto:OCFO-OC-ACD-WIFIA@epa.gov) and [wifia\\_portfolio@epa.gov](mailto:wifia_portfolio@epa.gov). For detailed payment instructions, contact the WIFIA program.

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### Burden

The public reporting and recordkeeping burden for this collection of information is estimated to average 200 hours per response. Send comments on the Agency's need for this information, the accuracy of the provided burden estimates, and any suggested methods for minimizing respondent burden, including through the use of automated collection techniques to the Director, Regulatory Support Division, U.S. Environmental Protection Agency (2822T), 1200 Pennsylvania Ave., NW, Washington, D.C. 20460. Include the OMB control number in any correspondence. Do not send the completed form to this address.

### Warning



**US Environmental Protection Agency**  
**WIFIA Program**  
**Application**

OMB Control No. 2040-0292

EPA Form No. 6100-032

Approval expires 4/24/2023

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Falsification or misrepresentation of information or failure to file or report information required to be reported may be the basis for denial of financial assistance by the Environmental Protection Agency. Knowing and willful falsification of information required to be submitted and false statements to a Federal Agency may also subject you to criminal prosecution. See, for example, 18 U.S.C. §1001.

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*Additional information is available at <https://epa.gov/wifia> and by contacting [wifia@epa.gov](mailto:wifia@epa.gov).*






## SUPPORTING DOCUMENT CHECKLIST

The applicant should submit its completed application form plus all relevant supporting documents listed in the checklist as attachments.

Question	Supporting Document(s)*	Included
<b>Application Fee – Refer to fee instructions on page 2</b>		
<b>Section A: Key Applicant and Loan Information* (No attachments)</b>		
9. System for Award Management (SAM) registration	<ul style="list-style-type: none"> <li>Screen shot verifying active SAM registration<sup>1*</sup></li> </ul>	<input checked="" type="checkbox"/>
<b>Section B: Applicant Background</b>		
5. Capital Improvement Planning Process	<ul style="list-style-type: none"> <li>Current year and previous 3 years Capital Improvement Plans</li> </ul>	<input checked="" type="checkbox"/>
7. Liabilities	<ul style="list-style-type: none"> <li>Liabilities Description</li> </ul>	<input checked="" type="checkbox"/>
8. System Condition	<ul style="list-style-type: none"> <li>System Master Plan</li> <li>System Condition Assessment</li> </ul>	<input checked="" type="checkbox"/> <input type="checkbox"/>
10. Organization Chart	<ul style="list-style-type: none"> <li>Organization Chart</li> </ul>	<input checked="" type="checkbox"/>
<b>Section C: Financing Plan</b>		
4. Preliminary Rating Letter	<ul style="list-style-type: none"> <li>Preliminary Rating Letter*</li> </ul>	<input type="checkbox"/>
5. Audited Financial Statements	<ul style="list-style-type: none"> <li>Audited Financial Statements (3 years)*</li> </ul>	<input checked="" type="checkbox"/>
6. Cash flow pro forma(s)	<ul style="list-style-type: none"> <li>Cash flow pro forma*</li> </ul>	<input checked="" type="checkbox"/>
7. Rate Setting Process	<ul style="list-style-type: none"> <li>Rate Studies</li> <li>Rate Schedules</li> </ul>	<input type="checkbox"/> <input checked="" type="checkbox"/>
8. Flow of Funds	<ul style="list-style-type: none"> <li>Flow of Funds</li> </ul>	<input checked="" type="checkbox"/>
9. Loan Agreement	<ul style="list-style-type: none"> <li>Master Indenture</li> <li>Bond Ordinance</li> </ul>	<input type="checkbox"/> <input type="checkbox"/>
<b>Section D: Federal Requirements</b>		
1. National Environmental Policy Act (NEPA)/ Programmatic Environmental Assessment Questionnaire	<ul style="list-style-type: none"> <li>Environmental Assessment (Draft or Final)</li> <li>Environmental Impact Statement (Draft or Final)</li> <li>Supporting Documentation</li> <li>Programmatic Environmental Assessment Questionnaire</li> </ul>	<input type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>
2. SRF Environmental Review	<ul style="list-style-type: none"> <li>SRF Findings</li> <li>SRF Consultation Documentation</li> </ul>	<input type="checkbox"/> <input type="checkbox"/>
4. Cross-Cutter Consultation Agencies	<ul style="list-style-type: none"> <li>State Historic Preservation Officer</li> <li>Fish and Wildlife Service</li> <li>National Marine and Fisheries Service</li> <li>Coastal Zone Management Agency</li> <li>Other: <b>See Response Below.</b></li> </ul>	<input type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
5. Additional Permits	<ul style="list-style-type: none"> <li><b>See Response Below.</b></li> </ul>	<input checked="" type="checkbox"/>

<sup>1</sup> Applicants must have an active registration in SAM to do business with the Federal Government. Registration information is available at <https://sam.gov/SAM/>.



7. Additional Forms	 epa_form_6600_06.pdf   SFLLL_1_2-V1.2.pdf   epa_form_4700_4.pdf	<input checked="" type="checkbox"/>   <input type="checkbox"/>   <input checked="" type="checkbox"/>
8. Uniform Act	<ul style="list-style-type: none"> <li>Narrative of Compliance</li> </ul>	<input checked="" type="checkbox"/>
<b>Section E: Contract Information (Refer to Supplemental Spreadsheet)</b>		
Complete Section E of spreadsheet and indicate which of the following attachments are included: <ul style="list-style-type: none"> <li>Project Map</li> <li>Preliminary Engineering Report</li> <li>Preliminary Design Report</li> <li>Planning Document</li> <li>Executed Contract Documents</li> <li>Procurement Documents</li> <li>Detailed project schedule(s)*</li> <li>Engineer's Cost Estimate associated with detailed project scope*</li> <li>Existing Operation and Maintenance Plan</li> <li>Professional Service Contract or similar evidence of new Operation and Maintenance Plan to be developed</li> <li>Risk Mitigation Plan/Matrix</li> <li>Project Management Plan</li> <li>Evidence of Experience with Similar Projects</li> <li>Draft of Final Bid Specifications with required language</li> <li>Sample of Final Bid Specifications with required language</li> </ul>		<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
<b>Certifications</b>		<input checked="" type="checkbox"/>

\*Required



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## APPLICATION FORM

***Provide the following information in this form. Narrative answers can reference source documents (include the name of the document and relevant pages or sections). Provide any referenced documents as attachments.***

### Section A: Key Applicant and Loan Information

1. Legal name of prospective borrower:

**Poseidon Resources (Surfside) LLC ("Surfside" or "Project Company")**

2. Project name *(for purposes of identification assign a short name to the project)*:

**Huntington Beach Desalination Plant (HBDP)**

3. Estimated total eligible project costs (in dollars):

**\$1,314,164,731**

**Note: Project costs are subject to repricing and further refinement prior to financial close.**

- ☒ Check here if total eligible project costs have changed since the letter of interest submittal

4. Requested amount of the WIFIA loan (in dollars):

**\$643,940,718**

**Note: Surfside is requesting a WIFIA loan that covers the maximum amount of 49% of the eligible project costs. The amount shown above is indicative based on current estimates and is subject to change as project costs are refined prior to financial close.**

5. Anticipated Closing Date and what is driving date: **December 31, 2022**

**The HBDP needs to secure its final permits and approvals and finalize the underlying contract negotiations. Please see Appendix A for a list of major milestones that will be required to close financing.**

6. Applicant Contact Information



**US Environmental Protection Agency**  
**WIFIA Program**  
**Application**

OMB Control No. 2040-0292  
EPA Form No. 6100-032  
Approval expires 4/24/2023

Team Member	Name and Title	Email	Phone Number
Authorized Signatory	Scott Maloni, Vice President – Project Development	smaloni@poseidonwater.com	Office: (760) 655-3996 Mobile: (858) 663-8838
WIFIA Point of Contact	James Golden, Manager – Project Development	jgolden@poseidonwater.com	Office: (617) 315-4688 Mobile: (781) 413-4275
Financial Advisor	TBD	TBD	TBD
Bond Counsel	Roger Davis, Attorney at Orrick, Herrington & Sutcliffe LLP	rogerdavis@orrick.com	Office: (415) 773-5758
Project Manager	Scott Maloni, Vice President – Project Development	smaloni@poseidonwater.com	Office: (760) 655-3996 Mobile: (858) 663-8838
Environmental Review Contact	Josie McKinley, Director – Project Development	jmckinley@poseidonwater.com	Office: (760) 655-3996 Mobile: (858) 663-8838
Borrower Counsel	Greg Southam, Attorney at Davies Ward Phillips & Vineberg	gsoutham@dwpv.com	Office: (416) 367-6986

7. Employer/taxpayer identification number (EIN/TIN):

**Taxpayer Identification Number: 32-0071424**

8. Dun and Bradstreet Data Universal Number System (DUNS) number:

**118012398**

9. Is the applicant registered in the System for Award Management (SAM)? If yes, provide

☒ Yes ☐ No

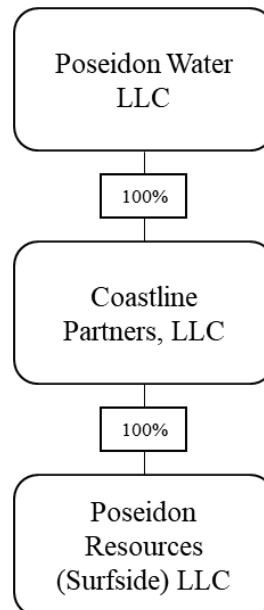
**Registration confirmation included as part of this application.**



## Section B: Applicant Background

1. Describe the authorizing actions required by the applicant in order to enter into a loan agreement with the WIFIA program (e.g., board vote, local vote, ordinance).

Once all conditions precedent to financial close have been achieved as outlined in Appendix A, the Project Company would enter into the loan agreement with the WIFIA Program. In order to do so, the Project Company would need to secure authorization from the Poseidon Water LLC (Poseidon) Board of Directors, which would need to approve a resolution authorizing the transaction to proceed. The relationship between Poseidon and the Project Company is shown in the ownership structure diagram below, where Poseidon has 100% indirect ownership of, and full control over, Surfside.



2. Disclose any current, threatened, or pending litigation involving the applicant related to permitting, public involvement, environmental irregularities, construction defects, securities fraud, conflict of interest, failure to perform under a State or Federal contract, or other charges which may reflect on the applicant's financial position or ability to complete the project(s).

**Litigation and legal challenges are normal course for a large project such as the HBDP. Given the extensive environmental review and public participation processes that the HBDP has undergone, it is expected that all current and future legal challenges to the project's permits and approvals will be dismissed by the courts within a reasonable period of time and will not impact the project's ability to close financing once resolved. A summary of current and threatened litigation is below:**





**Current Litigation:**

- 1.) **Moore vs. Poseidon Water** – A woman paddle boarding in the Agua Hedionda Lagoon drowned in late November 2018 and her family has filed lawsuits against a number of parties that have businesses on the lagoon. Neither Poseidon nor its affiliates have any responsibility or activity in the area of the lagoon where the accident occurred. Poseidon's liability insurer (Crum & Forster) has accepted the claim and appointed Rob Bergsten of Hosp, Gilbert & Bergsten as counsel to Poseidon (the deductible under the employment practices policy is \$5,000). The legal discovery process is currently underway to support a preliminary motion to dismiss.

**Threatened Litigation:**

None.

3. List the historical, if available, or projected customer concentration analysis, including a breakdown of customers by class (residential, non-residential, commercial, bulk, etc.), usage, and revenues for the past 12 months and a list of the top ten (10) customers by percentage of revenues.

OCWD is a wholesale water purveyor whose primary function is to manage the region's groundwater basin that serves approximately 2.5 million people located within a 381 square mile area of the County of Orange in California. OCWD intends to purchase 100% of the water produced by the Project in order to better serve its customers, which include 13 cities, 5 retail water districts, and 1 investor-owned utility water agency. The tables provided below detailing OCWD's customers and water sales are taken from OCWD's Comprehensive Annual Financial Report (CAFR) for the Years Ended June 30, 2020 and 2019 (included in Appendix B to this application).

*Total Sales Acre-Feet and Revenue by Water Type  
Last Ten Fiscal Years*

<b>Fiscal Year</b>	<b>Irrigation (Acre-Feet)</b>	<b>Domestic (Acre-Feet)</b>	<b>In-Lieu Delivery (Acre-Feet)</b>	<b>Replenishment Assessment Revenue</b>
2011	3,684.2	256,176.3	10,435.4	\$ 66,799,060
2012	4,455.5	236,626.1	40,563.5	72,961,431
2013	4,181.7	305,113.5	0.0	80,694,951
2014	3,066.9	327,715.4	0.0	90,550,510
2015	2,624.6	302,634.5	0.0	89,137,337
2016	2,047.8	275,042.2	0.0	88,464,251
2017	1,589.6	300,047.8	0.0	120,120,803
2018	1,771.2	235,145.2	73,108.6	136,212,805
2019	740.1	302,756.4	0.0	138,779,385
2020	750.0	277,663.7	9,354.7	138,444,750



*Fiscal Year 2019-20 Groundwater Production  
By Agency  
(Acre-Feet)*

City/Agency	Irrigation	Domestic	Total	% of water sold
Anaheim, City of		34,013.2	34,013.2	12.21%
Buena Park, City of		10,590.6	10,590.6	3.80%
County of Orange		90.2	90.2	0.03%
E.O.C.W.D.		4.7	4.7	0.00%
Fountain Valley, City of		8,686.8	8,686.8	3.12%
Fullerton, City of		18,759.7	18,759.7	6.74%
Garden Grove, City of		11,026.9	11,026.9	3.96%
Golden State Water Company		18,335.5	18,335.5	6.59%
Huntington Beach, City of		18,296.4	18,296.4	6.57%
Irvine Ranch Water District		42,427.4	42,427.4	15.25%
La Palma, City of		1,959.3	1,959.3	0.70%
Mesa Water District		15,248.8	15,248.8	5.48%
Newport Beach, City of		10,077.2	10,077.2	3.62%
Orange County Water District		1,583.5	1,583.5	0.57%
Orange, City of		20,637.1	20,637.1	7.41%
Santa Ana, City of		25,598.8	25,598.8	9.19%
Seal Beach, City of		2,140.4	2,140.4	0.77%
Serrano Water District		1,388.2	1,388.2	0.50%
Tustin, City of		10,075.2	10,075.2	3.62%
Westminster, City of		8,203.2	8,203.2	2.95%
Yorba Linda Water District		10,668.2	10,668.2	3.83%
All Operations Other Than Above	750.0	7,852.4	8,602.4	3.09%
<b>Totals</b>	<b>750.0</b>	<b>277,663.7</b>	<b>278,413.7</b>	<b>100%</b>

*Changes In Top Ten Customers' Groundwater Production  
Current Fiscal Year and Ten Years Ago*

Member Cities & Agencies	Acre Feet Produced in FY 2020	% of Water Produced in FY 2020	Acre Feet Produced in FY 2011	% of Water Produced in FY 2011
Irvine Ranch Water District	47,836.0	21.36%	41,358.6	19.31%
City of Anaheim	34,013.2	15.18%	42,989.7	20.07%
City of Santa Ana	25,598.8	11.42%	25,219.6	11.77%
City of Huntington Beach	21,402.0	9.55%	17,520.0	8.18%
City of Orange	20,637.1	9.21%	17,821.9	8.32%
City of Fullerton	18,759.7	8.37%	16,232.7	7.58%
Golden State Water Company	18,335.5	8.18%	15,951.4	7.45%
Mesa Water District	15,789.3	7.05%	12,913.5	6.03%
City of Garden Grove	11,026.9	4.92%	15,326.4	7.16%
Yorba Linda Water District	10,668.2	4.76%	8,853.0	4.13%
<b>Totals</b>	<b>224,066.7</b>	<b>100%</b>	<b>214,186.8</b>	<b>100%</b>



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4. Provide the average residential customer combined water and sewer rates as a percentage of Median Household Income.

**The median household income (MHI) for the County of Orange, California is estimated at \$96,600 in inflation-adjusted 2020 dollars based on the 1-Year 2019 American Community Survey (ACS) published by the U.S. Census Bureau. Water and sewer rates vary by retail water agency within OCWD's service territory. For an average residential customer using 16 hundred cubic feet (hcf) of water per month, water rates vary from \$47.02 to \$140.18 per month and sewer rates vary from \$26.10 to \$62.35 per month. The current average weighted household water and sewer bills within OCWD's service territory are \$62.32 and \$36.66 per month respectively, which combined equates to 1.23% of the countywide MHI.**

**The HBDP is anticipated to increase the average household water bill by approximately \$3-6 per month within OCWD's service territory, assuming that OCWD purchases the entire 56,000 acre-feet per year (AFY) output from the HBDP facility. If \$6 per month is added to the average monthly water bill, this increases the combined water and sewer bill to 1.30% of the countywide MHI.**

5. Describe the applicant's capital improvement planning process. Include a capital improvement plan, other planning documents, and capital budgets produced in the current year and previous three (3) years as attachments.

**Surfside is a project company dedicated solely to the development, construction, operations, maintenance, and ongoing capital improvement program associated with the HBDP. It does not and has not undertaken any capital improvement planning activities, with the sole exception of planning for the construction of the HBDP. Once constructed, Surfside, along with its Operator and any other subcontractor(s) that may be applicable, will oversee a robust maintenance, repair, and replacement program for the newly-constructed infrastructure owned and managed by Surfside.**

6. Describe accounts receivables outstanding, including the 12-month trailing average of on-time payment amounts as a percentage of amount billed per period. Include a brief description of the process for collections.

**Surfside is a project company dedicated solely to the development, construction, operations, maintenance, and ongoing capital improvement program associated with the HBDP. Since the HBDP is not yet constructed or operating, Surfside is not yet selling water and has no accounts receivables.**

7. Describe or provide an attachment with the status of liabilities and funding for pension contributions, defined benefits, and other post-employment benefits.

**Surfside, in its role as Project Company, enters into various short-term contracts and land agreements with various engineers, consultants, contractors, and other parties to advance the development of the HBDP. These obligations are funded by Poseidon. Surfside currently has**



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**no direct employees and no liability for pension obligations, employee benefits, or any other employee-related liabilities.**

8. Provide the latest system condition assessment report or master plan available for the water and/or wastewater system this project supports. If a report or plan is unavailable, provide a brief description of significant facilities (i.e. pump stations or treatment plants) within the system, including construction and major rehabilitation dates, and any asset management processes utilized for the system.

**OCWD will be the primary purchaser and beneficiary of the water produced at the HBDP. OCWD's most recent, 2014 Long-Term Facilities Plan is attached hereto as Appendix C. OCWD, as a wholesale water purveyor, manages a 6-mile stretch of the Santa Ana River, the Orange County Groundwater Basin which includes 500,000 acre-feet (AF) of useable water storage, and their state-of-the-art Groundwater Replenishment System (GWRS) and associated groundwater injection wells, pipelines, and pump stations. OCWD is in the process of preparing a new Groundwater Reliability Plan which will replace the current Long-Term Facilities Plan; a draft of this document is expected to be available for public review by the end of May 2021.**

9. If applicable, describe community outreach efforts conducted to date and planned for the project(s). Include community meetings, outreach sessions and groups contacted.

**Over the previous two decades that the HBDP has been under development, there has been significant outreach and engagement with the local community in coordination with the host community, the City of Huntington Beach, as well as with the project's public agency sponsor, OCWD. The HBDP has garnered strong support from the regional and local community, including prominent business and social organizations as well as unanimous, bipartisan support from Orange County's Sacramento and Washington, D.C. legislative delegations. A February 2019 countywide public opinion survey of the Orange County community demonstrate that over 84% of the residents support construction of the HBDP and 51% would consider moving if water shortages persist. Similarly, a May 2020 City of Huntington Beach Voter Survey showed that 76% of registered voters support the construction of the HBDP and that they ranked desalination as the best way for local water agencies to ensure a clean, local, and drought-proof water supply.**

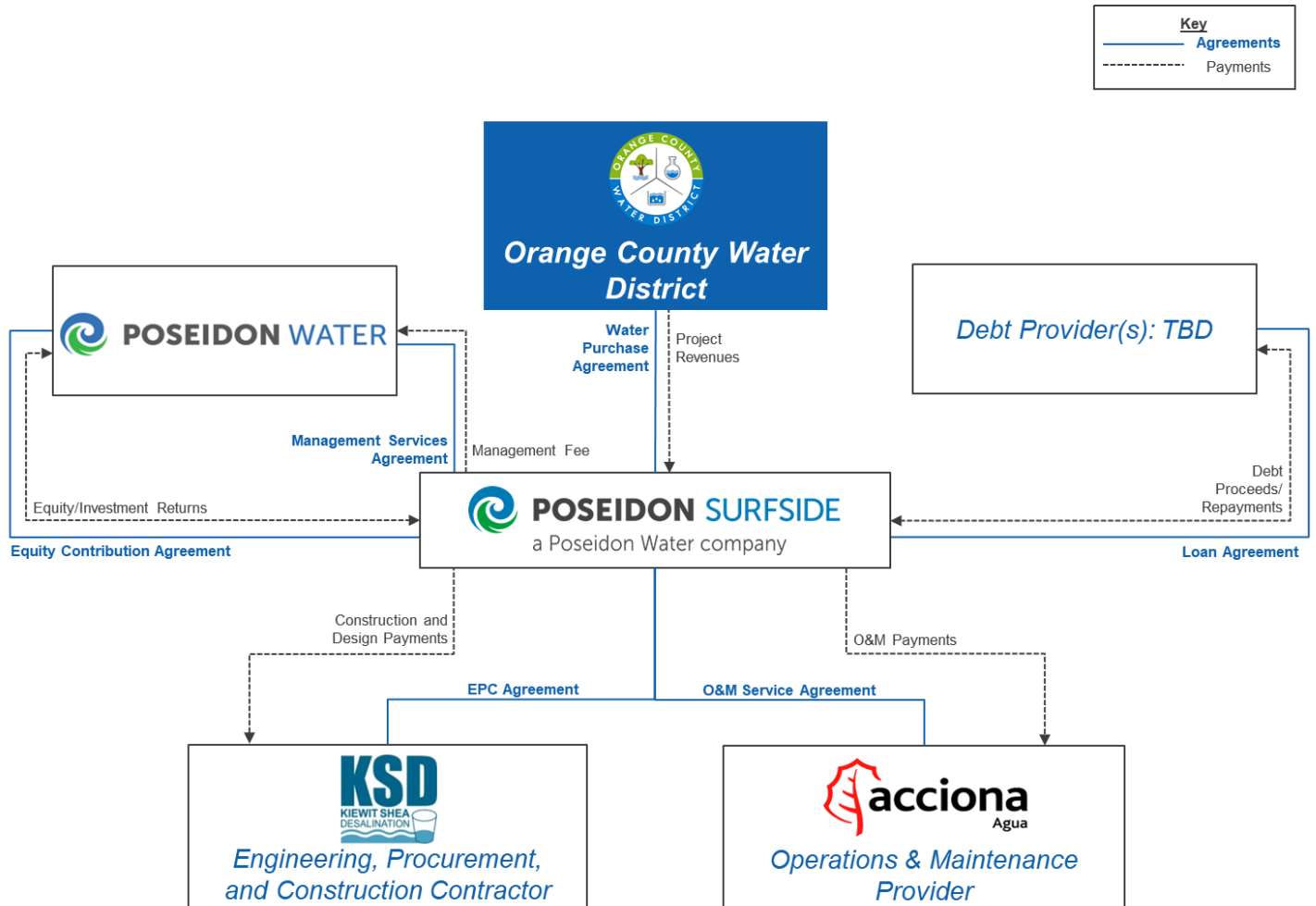
**Additionally, there has been a significant amount of community outreach ahead of each permitting or approval action taken by the various responsible public agencies over the years. All these approvals provide an opportunity for public comment and participation and, at one of the most recent Santa Ana Regional Water Quality Control Board meeting on April 23, 2021 to discuss the amendment and reapproval of the HBDP's intake permit and National Pollution Elimination Discharge Systems (NPDES) discharge permit, there were over 300 members of the public who signed up to speak. This serves as an indication of the community's widespread awareness of, and interest in, the HBDP.**



For Project and Corporate Financing Transactions Only:

10. Provide a project-level organizational chart, include the major parties involved in planning, owning, financing, providing supply and/or offtake, constructing, operating, and/or maintaining the project(s). Include the major service contractors that have been, or will be, retained for the project (e.g., architects, developers, engineers, attorneys, financial advisors and underwriters, environmental consultants). Please also disclose if there is a financial relationship between the project sponsor and any key project partners.

Below is the project finance organizational diagram for the HBDP showing major payments and underlying project agreements. Each party's role is further detailed below the diagram.





The HBDP is a Public-Private Partnership (P3) between Surfside and OCWD. Surfside, as the Project Company, will execute the project through detailed contractual arrangements with expert parties for engineering, procurement and construction (EPC) and ongoing plant operations and maintenance (O&M). These contractual arrangements are focused on ensuring that the project is delivered on a turnkey, date-certain basis and thereafter is operated within prescribed performance standards at contractually-determined prices. The risks associated with overruns are borne by the contracting EPC and O&M parties. This framework for risk allocation is commonly used in non-recourse project finance and is founded on the well-established premise that expected costs are minimized when such risks are borne by the party or parties best positioned to minimize, manage, and mitigate them by virtue of their resources and expertise. Surfside will in turn enter into a contractual arrangement with OCWD whereby Surfside assumes many design, construction, operating and financing risks.

**P3 DEVELOPER AND EQUITY INVESTOR: POSEIDON WATER**

Poseidon Water LLC (Poseidon) is a developer, investor, and asset manager specializing in large, complex water infrastructure projects. Founded in 1995 and majority-owned by Brookfield Infrastructure Partners, L.P. (BIP) since 2015, Poseidon is one of the nation's most experienced private developers in the water sector. Poseidon approaches the development process by organizing expert teams that combine local water agencies, leading engineers, contractors, and operators, and innovative financing solutions. Following BIP's majority acquisition of Poseidon in 2015, Poseidon has become BIP's platform for water infrastructure investment throughout North America.

Poseidon's disciplined, non-recourse project finance approach focuses on careful and intentional risk allocation among project participants to deliver high-performing, environmentally friendly, cost-effective and innovative solutions that maximize ratepayer dollars. Poseidon is the developer of the award-winning Carlsbad Desalination Plant, the largest seawater reverse osmosis (SWRO) facility in the Western Hemisphere. The company holds multiple patents for both desalination systems and the integrated treatment of brackish concentrate and seawater.

BIP is one of the largest investors in critical infrastructure assets globally and will provide the primary source of Poseidon/Surfside's equity investment in the HBDP project. BIP holds long-term interests in a diverse range of networks that facilitate the movement and storage of energy, water, freight, people and data. Brookfield Asset Management Inc. ("BAM"; together with BIP and its other affiliates, "Brookfield") has 120 years of experience owning and operating real assets and currently manages over US \$600 billion in alternative assets.

**EPC CONTRACTOR: KIEWIT SHEA DESALINATION**

The EPC contractor for the Plant is proposed to be Kiewit Shea Desalination (KSD). KSD is a joint venture (JV) between Kiewit Infrastructure West Co. and J.F. Shea Construction Company that will design and build the HBDP under contract with Surfside. Under the EPC Contract, KSD will assume the risk for delivering the HBDP on a turnkey, date-certain, fixed-price project delivery schedule. The main treatment processes for the HBDP (including water pretreatment, reverse osmosis filtration, post-treatment, instrumentation, and control systems) will be designed, engineered, procured, operated, and maintained by ACCIONA Agua S.A (Acciona). In



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addition to executing an O&M Contract with Surfside, Acciona will also enter into a separate process engineering and design subcontract with KSD.

**Kiewit**

Kiewit Infrastructure West Co. (KIWC) is the western division of Kiewit Infrastructure Co. which is, in turn, the largest operating subsidiary of Kiewit Corporation (Kiewit), one of the largest infrastructure contractors in the U.S. with over 125 years of construction experience. Kiewit Infrastructure Co. performs construction services in the United States and Canada encompassing over half of Kiewit's total work. Its experience includes numerous large water and wastewater projects, including as the EPC lead for the Carlsbad Desalination Project.

**Shea**

J. F. Shea Construction Company (Shea) is a California-based construction company whose experience includes large-scale projects such as Hoover Dam, the Golden Gate Bridge, and San Francisco's Bay Area Rapid Transit System. As the KSD joint venture partner with Kiewit, Shea constructed the Carlsbad Desalination Project. Shea was also the general contractor for a reverse osmosis wastewater treatment plant included as part of the initial phase of OCWD's indirect potable reuse Groundwater Replenishment System (GWRS).

**PROCESS DESIGNER AND OPERATOR: ACCIONA**

The pretreatment, reverse osmosis filtration, post-treatment, instrumentation and control systems included in the HBDP will be designed and procured by Acciona under a subcontract with KSD. Acciona will then operate the HBDP after its successful start-up and commissioning under a long-term operation, maintenance, repair and replacement contract (O&M Contract) between Surfside and ACCIONA USA LLC, the U.S. subsidiary of ACCIONA Agua S.A. Upon completion of a 30-day performance test by the EPC contractor KSD, Acciona will take over responsibility for plant operations and maintenance. The O&M Contract will be a pay-for-performance contract commensurate with the term of the financing.

Acciona designs, builds and operates water treatment projects across five continents that serve both public and private clients. In the U.S., Acciona operates the nation's second largest SWRO plant, in Tampa Bay, Florida. Acciona is responsible for projects that deliver clean, potable water to more than 69 million people worldwide.

**WATER PURCHASER: ORANGE COUNTY WATER DISTRICT**

OCWD will purchase 100% of the water produced by the HBDP under a take-or-pay Water Purchase Agreement (WPA) with Surfside for a period commensurate with the term of the financing.

OCWD was formed in 1933 by the California State Legislature to guard the region's groundwater basin and provide water for over 2.5 million Orange County residents and agricultural users. OCWD manages and replenishes the basin, ensures water reliability and quality, prevents seawater intrusion, and protects Orange County's rights to Santa Ana River water. OCWD operates under the direction of an elected and appointed 10-member board of directors. OCWD senior debt is rated AAA by the major rating agencies.





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## Section C: Financing Plan

1. Provide a sources and uses of funds table for the construction period(s), including the proposed WIFIA assistance. For applicants other than Public Entities, please identify the amount and source(s) of project equity, letters of credit, and other sources of debt as applicable. Note any ineligible project costs. More information about eligible costs is available in the [WIFIA program handbook](#). If other debt is being issued, describe the timing and certainty.

**All dollar amounts shown below are in thousands of U.S. dollars.**

Sources Category	Estimated Dollar Value
1. WIFIA Loan (cannot exceed 49% of eligible costs)	643,941
2. Revenue Bonds	-
3. SRF Loan	-
4. Borrower Cash	-
5. Previously Incurred Eligible Costs*	-
6. Other (please specify) – Private Activity Bonds	520,060
7. Other (please specify – Private Equity)	251,561
8. Other (please specify – Interest During Construction)	3,951
<b>TOTAL SOURCES</b>	<b>1,419,513</b>
Uses Category	Estimated Cost
1. Construction	913,724
2. Design	-
3. Planning	-
4. Land Acquisition	27,686
5. Other Capital Costs	44,672
6. Contingency	45,000
<b>7. Total Capital Costs</b>	<b>1,031,082</b>
8. Financing Costs	258,710
9. Ineligible Costs (if applicable) – Included in other lines	105,348
10. Other (please specify) – Development Fees & Costs	129,720
<b>TOTAL USES</b>	<b>1,419,513</b>

\*Previously Incurred Eligible Costs are project related costs incurred prior to the WIFIA loan's execution. Please see the WIFIA Program Handbook for additional information on Eligible Costs.

**For additional information on the project's expected sources and uses and eligible capital costs, please see the current financial model (confidential) provided in Appendix D.**





2. Describe the proposed credit terms of the WIFIA assistance. Complete the following table and include additional text below.

Credit Term	Proposed
Lien Priority See additional detail below.	<p><input checked="" type="radio"/> Senior Lien</p> <p>Subordinate Lien: all project debt <input type="radio"/> having the same priority as the WIFIA loan.</p> <p>Subordinate Lien: not all project debt <input type="radio"/> has the same priority as the WIFIA loan. A springing lien will be used in a bankruptcy related event.</p>
Security Pledge	Surfside's assets and its contracted rights and revenue sources, including the HBDP and Water Purchase Agreement but excluding the water delivery infrastructure, which is to be owned, operated, and maintained by OCWD
WIFIA Loan Maturity Date	December 31, 2056

**Surfside is proposing to issue the WIFIA loan on a senior lien parity basis so that it would have the same senior priority level as other potential sources of Project debt (e.g. Private Activity Bonds).**

3. Describe all dedicated revenue sources to be used to repay project financing, the expected rate(s), and the base to which such rates will be applied (e.g. average monthly consumption). Include rate covenant requirements that may affect these revenue sources.

**OCWD will purchase, on a take-or-pay basis, at least 56,000 acre-feet per year (AFY) of water produced from the HBDP. OCWD is a AAA bond rated wholesale water purveyor and groundwater manager with the authority to establish its own water rates for water delivered to and/or used by its member water agencies (e.g. such as from groundwater pumping). The cost of purchasing 100% of the water produced from the HBDP will be blended into OCWD's existing water rates and the impact is expected to increase the average residential household water cost by approximately \$3-6 per month. OCWD currently generates revenue on approximately 250,000 AFY of water, which translates into approximately \$120 million in annual rate revenue from OCWD's existing groundwater replenishment charges.**

**In addition, the City of Huntington Beach, CA, as the host community for the project, has an option to purchase up to 6% of the water produced by the project or 3,360 AFY at a discounted price.**



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4. Provide the file name for and submit a new or recent preliminary rating letter from a nationally recognized statistical rating organization opining on the proposed WIFIA financing and describing the applicant's ability to obtain an investment grade rating on the project's senior obligations. An existing rating may be used in place of a preliminary rating letter if it is recent and actively maintained. The applicant should discuss using an existing rating with its transaction team prior to application submittal.

**Final project credit ratings will be secured prior to financial close as part of the financing activities. The project will be structured to achieve an investment grade credit rating by including the necessary level of equity investment, debt service coverage ratios, and reserve account funding, however, the project is not in a position at this point to seek confirmation of this from the national rating agencies. The current financial model (confidential) provided in Appendix D reflects the expected requirements for the project to achieve an investment grade credit rating based on the credit strength of OCWD as the off-taker and Poseidon's experience receiving an investment grade credit rating for its similarly-structured Carlsbad Desalination Plant. The HBDP project intends to use a similar project finance structure as the Carlsbad Desalination Project used to achieve an investment-grade credit rating when it closed financing in December 2012.**

5. Provide the year-end audited financial statement for the applicant for the past three (3) years, as an attachment, and enter the file names below.

**Poseidon and its subsidiaries do not publish their audited financial statements publicly. Appendix B includes the financial statements for OCWD (publicly available) as well as Coastline Partners, LLC (confidential) and Poseidon Water LLC (confidential). Surfside does not prepare its own individual annual financial statements but is included in the financial statements for both Coastline Partners, LLC as well as Poseidon. Surfside, as the applicant, is asserting a Confidential Business Information claim associated with the financial statements for Coastline Partners, LLC and Poseidon Water LLC included in Appendix B in their entirety pursuant to 40 C.F.R. 2.203, 41 Fed. Reg. 36902. Appendix B contains confidential data and information and the confidential portion of Appendix B should be treated as privileged and kept confidential by all parties in receipt of this application. The financial statements for Coastline Partners, LLC and Poseidon Water LLC contained in Appendix B of this application shall be exempt from disclosure under any public records request. The confidential portions of Appendix B shall be treated as confidential in accordance with applicable statutes until such time that Poseidon provides notice in writing to EPA signed by an authorized representative of Poseidon that the confidential portions of Appendix B may be disclosed publicly.**

6. Attach the financial model for the project(s) and provide its file name below. All amounts should be expressed on a cash (year-of-expenditure) basis and should clearly show assumptions used to arrive at such estimates. A sample pro forma can be found [here](#). The pro forma(s) should include:



- a. Details on projected revenues, operations and maintenance expense, capital expenditures and other key line items. Include rate changes and inflation factors as appropriate;
- b. Estimated total debt service coverage. Also show senior and junior lien debt coverages separately, if applicable;
- c. Disbursement and repayment schedule for all debt sharing the WIFIA security, addressing, as applicable, senior- and junior-lien debt. Same lien debt amounts may be aggregated;
- d. Anticipated disbursement and repayment schedule of the requested WIFIA loan.

**Please find the financial model, including the project pro forma in Appendix D. Surfside, as the applicant, is asserting a Confidential Business Information claim associated with Appendix D in its entirety pursuant to 40 C.F.R. 2.203, 41 Fed. Reg. 36902. Appendix D contains proprietary data and information and should be treated as privileged and kept confidential by all parties in receipt of this application. As such, Appendix D of this application shall be exempt from disclosure under any public records request. Appendix D shall be treated as confidential in accordance with applicable statutes until such time that Poseidon provides notice in writing to EPA signed by an authorized representative of Poseidon that Appendix D may be disclosed publicly.**

7. Describe the rate setting process, including regulations governing rate setting, approval requirements, timing for implementation, etc. Include 10 years of rate schedule history for the applicant and specify if recommended rate increases were ever rejected.

**As the dedicated Project Company, Surfside does not have any existing water rates. The Water Purchase Agreement (WPA) between Surfside and OCWD will establish a long-term rate structure that will govern the cost of water sold from the HBDP for the entire life of the project. Once the OCWD Board has approved and executed the WPA, it will become a long-term obligation/noncurrent liability that OCWD will factor into its future rate making processes.**

**OCWD establishes its groundwater replenishment assessment charge (RA) through its annual budgeting and rate setting process that requires a majority approval of its 10-member board. The RA will be adjusted to ensure sufficient revenues for OCWD to meet its water purchase obligations under the WPA. The prior 10-years of RA charges for domestic water usage are listed in the table below:**

Fiscal Year Ended June 30	Replenishment Charge (\$/AF)
2021	487
2020	487
2019	462
2018	445
2017	402
2016	322



2015	294
2014	276
2013	266
2012	254

8. If available, provide a flow of funds diagram or description and summarize key obligations in the flow of funds.

Please see the project structure diagram provided in the response to Question 10 in Section B above that shows key contracts and flow of payments. The flow of funds and key obligations under each of the major project contracts is detailed below.

#### **WATER PURCHASE AGREEMENT**

Surfside will negotiate and execute a final Water Purchase Agreement with OCWD prior to financial close. This document will outline the expected risk allocation between the parties and each party's rights and obligations for the entire term of the agreement. The final Water Purchase Agreement is expected to include substantially similar terms as to what was agreed upon by both parties in the 2018 Water Purchase Agreement Term Sheet (provided as part of Surfside's WIFIA Letter of Interest). Under the contract Surfside will be responsible for constructing the desalination facility, distribution infrastructure improvements, and all auxiliary infrastructure. Upon completion of construction, the distribution infrastructure improvements will be transferred to OCWD's ownership for long-term operations, maintenance, repair, and replacement while Surfside will retain operations and maintenance responsibilities for the desalination facility. OCWD is expected to purchase 56,000 AFY of product water from the HBDP and take receipt of that water at the project's fence line if the water meets the required quality and quantity specifications outlined in the final Water Purchase Agreement. To the extent that the product water from the project fails to meet the required quantity or quality standards under the agreement, OCWD would not be obligated to purchase the water.

The revenue generated by OCWD's water purchase payments will be pledged to repay debt and equity investments in the project and will also cover all project operation and maintenance costs. At the end of the term of the Water Purchase Agreement (which is expected to be approximately 34 years including the construction period), OCWD will have an option to purchase the remaining project assets owned by Surfside for one U.S. dollar.

#### **ENGINEERING, PROCUREMENT, & CONSTRUCTION CONTRACT(S)**

Surfside will execute an EPC Contract with the proposed EPC Contractor (KSD) for the construction of the Huntington Beach Desalination Facility, including the intake, discharge, desalination facility, and all auxiliary infrastructure. The terms of the EPC Contract and expected risk allocation are expected to be on a back-to-back basis with the terms of the Water Purchase Agreement. KSD will construct the desalination facility and associated assets



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on a fixed-price, turn-key, date-certain basis and will be responsible for managing all subcontractors involved in the project's construction.

Depending on the final configuration of the distribution infrastructure improvements, Surfside expects to have a second EPC Contract either with KSD or another EPC Contractor for that scope of services as appropriate.

Surfside will make progress payments to the EPC Contractor(s) under the EPC Contract(s) based on the completion of certain milestones. These progress payments will be funded through the debt and equity proceeds committed to the project at financial close. The EPC Contract(s) will include performance bonds and other such financial sureties to adequately compensate Surfside and OCWD for any failure to perform on the part of the EPC Contractor(s) or their respective subcontractors.

#### **OPERATIONS & MAINTENANCE CONTRACT**

Surfside will execute an O&M Contract with the proposed O&M Contractor (Acciona) for the operations and maintenance of the Huntington Beach Desalination Facility, including the intake, discharge, desalination facility, and all auxiliary infrastructure owned by the Project Company. The terms of the O&M Contract and expected risk allocation are expected to be on a back-to-back basis with the terms of the Water Purchase Agreement. Acciona will operate and maintain the desalination facility and associated assets on a fixed-price basis and will be responsible for managing all subcontractors involved in the project's operations. The term of the O&M Contract is expected to be commensurate with the term of the Water Purchase Agreement (which is expected to be 30 years after the project achieves commercial operations). The O&M Contract is not expected to include the operations and maintenance of the distribution infrastructure improvements, as this responsibility and ownership is expected to reside with OCWD for the duration of the HBDP's commercial operations period.

Surfside will make periodic payments to the O&M Contractor under the O&M Contract based on certain fixed and variable charges that will escalate over the term of the Contract. These payments will be based on the volume and quality of product water produced by the desalination facility and will be funded through the water sales revenue generated through OCWD's purchase of product water under the Water Purchase Agreement. The O&M Contract will include performance bonds and other such financial sureties to adequately compensate Surfside and OCWD for any failure to perform on the part of the O&M Contractor or their respective subcontractors.

#### **CONTRACTOR COORDINATION AGREEMENT(S)**

KSD, as the primary EPC Contractor will enter into a Contractor Coordination Agreement with Acciona whereby it will establish the timing, procedures, and guarantees between KSD and Acciona for the process design and engineering scope of services and to ensure a smooth transition from start-up testing into operations as KSD hands off responsibility for the project site to Acciona. Acciona will be responsible for the process design and engineering scope of



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services to ensure that they will ultimately be confident in meeting their performance guarantees and operating the facility for the entire term of the O&M Contract. KSD, however, is wrapping and guaranteeing Acciona's scope of work during the construction period to provide a single point of accountability with the Project Company during construction.

Similarly, to the extent that a different EPC Contractor is selected to complete the construction of the distribution infrastructure improvements scope of work, KSD would likely also have a Contractor Coordination Agreement with this entity to ensure the timely completion of the distribution infrastructure improvements to, in turn, facilitate the timely start-up performance testing and start of commercial operations for the desalination facility.

Please note that these agreement(s) are not shown on the project structure diagram provided in the response to Question 10 in Section B above since they are not considered to be "project contracts" (Surfside, as the Project Company, will not be a party to these agreements). The flow of funds under these agreements to pay for services rendered will be negotiated amongst the parties and is entirely at the discretion of KSD as the primary EPC Contractor guaranteeing the on-time and on-budget completion of the project's construction.

#### **MANAGEMENT SERVICES AGREEMENT**

Surfside will enter into a Management Services Agreement with Poseidon for the duration of the term of the Water Purchase Agreement. Under this contract, Surfside will pay Poseidon a management fee funded by the financing proceeds during the construction period and by the water sales revenue during the operating period. In exchange, Poseidon will manage the Project Company, including providing finance and accounting services and administering all project contracts, including billing and collection of water sales to OCWD, debt service repayments, and equity distributions. Poseidon will also be responsible for ensuring the timely completion and payment of all Project Company costs and activities, including those costs that are not included in either the EPC Contract(s) or the O&M Contract – such costs include, but are not limited to, property taxes, insurance, mitigation costs, and site lease and easement payments.

#### **EQUITY CONTRIBUTION AGREEMENT**

Surfside will enter into an Equity Contribution Agreement with Poseidon to provide the necessary equity investment into the project at financial close and any subsequent, incremental equity investment as necessary. In exchange, Surfside will repay the equity investment amount plus a return on the equity investment amount to Poseidon, subject to the terms of the Water Purchase Agreement and the project achieving adequate debt service coverage ratios during operations and complying with the other terms and conditions of all financing agreements. Poseidon expects to fund approximately 18% of the total project costs at financial close with equity in order to attain an investment grade credit rating. This amount includes any interest income earned during the construction period that will be invested in the project.



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#### **LOAN AGREEMENT(S)**

Surfside will enter into separate Loan Agreements for each source of debt proceeds that are expected to be included in the capital financing at financial close. Approximately 82% of the project's capital costs are expected to be funded using debt proceeds in order to attain an investment grade credit rating. These Loan Agreements will establish the amount of each source of debt capital and the terms and conditions of repayment. All debt is expected to be repaid at or prior to the end of the term of the Water Purchase Agreement. Debt service payments will be funded using capitalized interest during the construction period and water sales revenue during the operating period. While subject to change based on funding opportunities and market conditions prior to financial close, the debt is expected to be comprised of 55% WIFIA Loan proceeds and 45% Private Activity Bond proceeds allocated by the state of California.

#### **MITIGATION CONTRACTS**

Surfside will also be responsible for the construction, operations, and maintenance of the mitigation projects associated with the HBDP that are intended to mitigate for the project's unavoidable impacts. The time required to complete the design, permitting, and approval processes associated with the mitigation projects is uncertain. This may result in the construction and operation of the mitigation projects occurring after the Huntington Beach Desalination Facility has achieved commercial operations. To the extent that there is a delay between the facility's commercial operations date and the implementation of all aspects of the mitigation, Surfside will be required to operate the mitigation projects beyond the end of operations of the desalination facility to adequately mitigate for all impacts caused by the construction and operations of the facility.

Surfside may, at its discretion, enter into separate EPC and/or O&M Contracts for the provision of services related to these mitigation projects. The terms and conditions of such contracts are expected to be finalized after financial close as a result of the necessary design, permitting, and approval processes that will be required to finalize the mitigation projects scope of work. A portion of the project's upfront financing proceeds will be used to fund this work once the mitigation projects are fully approved and ready to construct.



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9. Describe what document(s) will be the starting point for the WIFIA loan agreement:

- ☐ Standard WIFIA loan agreement.
- ☐ Existing Master Indenture or Bond Ordinance. Included as an attachment is the Existing Master Indenture or Bond Ordinance.
- ☒ Customized loan agreement for the project(s) and applicant.
- ☐ Other.

Additional notes for loan agreement: **Surfside would also like to include a clause in the additional debt provision of the loan agreement that provides for completion debt equal to 10% of the construction value if there are any unforeseen cost increases (or delays) that require additional funds to complete the Project without requiring the consent of senior lenders.**





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## Section D: Federal Requirements Compliance

1. Describe the status of the environmental review in accordance with the National Environmental Policy Act (NEPA). If applicable, submit the [Programmatic Environmental Assessment \(PEA\) Questionnaire form](#), Environmental Assessment (draft or final), or Environmental Impact Statement (draft or final),

The HBDP project has undergone rigorous environmental review since its inception and planning stages in the late 1990's. The Project was evaluated by the City of Huntington Beach in the Final Subsequent Environmental Impact Report (FSEIR) which was certified on September 7, 2010 in accordance with the provisions of the California Environmental Quality Act (CEQA) (California State Clearinghouse No. 200151092; see Appendix E). On October 19, 2017 the California State Lands Commission (SLC) reviewed and approved a lease amendment for the project that reflects a range of enhancements to the project's seawater intake and discharge technologies (see Appendix F). The SLC's approval included certification of a FSEIR to ensure the Project is fully compliant with requirements of the recently-adopted Desalination Amendment to the California Ocean Plan.

On May 6th, 2015, the State Water Resources Control Board (SWB) approved an amendment to the state's Water Quality Control Plan for the Ocean Waters of California (Ocean Plan) to address effects associated with the construction and operation of seawater desalination facilities. This Ocean Plan Amendment (OPA) supports the use of ocean water as a reliable supplement to traditional water supplies while protecting marine life and water quality. The California Ocean Plan now formally acknowledges seawater desalination as a beneficial use of the Pacific Ocean and the OPA provides a uniform statewide approach for protecting beneficial uses of ocean waters from degradation due to seawater intake and discharge of brine wastes from desalination facilities.

California's recently adopted seawater desalination policy provides stringent environmental regulations for demonstrating compliance with the California Water Code section 13142.5(b) which requires seawater desalination plants to use the best available site, design, technology and mitigation measures feasible to minimize the intake and mortality of all forms of marine life.

In addition to the City of Huntington Beach approval of the project's 2010 FSEIR for the HBDP and the SLC's 2017 FSEIR certification for the Intake and Outfall Modifications and lease amendment and approval, on April 29, 2021 the Santa Ana Regional Water Quality Control Board (RWB) adopted Order R8-2021-0011; NPDES NO. CA8000403 and corresponding CEQA Addendum to the 2010 and 2017 FSEIRs that covers modifications to the project's intake and discharge structures (Appendix G) which collectively amended and renewed the Project's NPDES permit, water intake permit, and Water Code section 13142.5(b) compliance determination to be consistent with the OPA. Appendix G includes the draft Tentative Order and subsequent revisions; the final adopted Order will be submitted once it has been



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published by the RWB staff. The CEQA Addendum to the FSEIR will subsequently be considered for adoption by the SLC.

The California Coastal Commission (CCC) will also undertake environmental review of the Project in connection with the issuance of a Coastal Development Permit (CDP). Surfside is currently in the process of preparing to submit its CDP application to the CCC for consideration.

The U.S. Army Corp of Engineers (USACE) has also reviewed and conditionally approved a Nationwide Permit (NWP) 12 §404 for a required product water distribution system channel crossing – the approval is conditioned on the Coastal Zone Management Act (CZMA) determination that the CCC will make when approving the project’s CDP application. Now that the RWB has renewed the NPDES permit, USACE will additionally consider several other NWP applications for the project including a NWP 7 §404 for the intake and discharge modifications and a §401 water quality certification, both of which will rely largely on the RWB findings.

All of the approvals and pending approvals for the HBDP project have included consultation and input from numerous relevant state and federal agencies, including but not limited to: the National Oceanographic and Atmospheric Administration (NOAA)/National Marine Fisheries Service (NMFS), California Department of Fish and Wildlife (CDFW), U.S. Department of Fish and Wildlife, California Resources Agency, and California Environmental Protection Agency (CalEPA).

The suite of mitigation projects that are associated with the HBDP project – that are intended to mitigate for the project’s unavoidable impacts to marine life and any impacted wetlands and marine habitats – will be required to secure separate permits and approvals from many of the same responsible agencies listed above. These permits are expected to trail the approvals, close of financing, and start of construction of the HBDP.

**Key Environmental Review and Approvals (Also see Project Timeline in Appendix H):**

- City of Huntington Beach: Original CEQA EIR certification (2005)
- City of Huntington Beach: FSEIR certification (2010)
- RWB: NPDES approval and California Water Code determination (2006)
- RWB: Amendment and renewal of NPDES permit (2012)
- RWB: Amendment and renewal of NPDES permit and Water Code Determination (2021)
- SLC: Lease approval (2010)
- SLC: Lease amendment (2017)
- CCC: Initial review (2013)

2. Describe the status of the SRF environmental review, if applicable. Submit the available SRF Findings and/or SRF consultation documentation.

**Not applicable as the project is not applying for SRF funding.**



3. If the environmental review for the project is underway or complete, complete the following table to identify the anticipated impacts and mitigations. Mark a "X" in the appropriate column to identify the impacts anticipated for each resource type and, if applicable, provide a short explanation of the mitigations.

Resource Type	Anticipated Impacts			Mitigations
	No Impact	Less Than Significant Impact	Potentially Significant Impact	
Water	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	See description of mitigation projects in Appendix H
Biological	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	See description of mitigation projects in Appendix H
Cultural	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Not applicable
Others as Applicable	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Not applicable

4. Identify any agencies with which cross-cutter consultations have been undertaken for the project and include supporting documentation as attachments. (Check all that apply)

- ☐ State Historic Preservation Officer  
☒ Fish and Wildlife Service  
☒ National Marine and Fisheries Service  
☒ Coastal Zone Management Agency  
☒ Other: **Please see Appendix A for a more complete list of agency reviews (previous and planned).**

**Please see response to Question 1 in Section D above.**

5. Describe the status of any additional permits and approvals that the project(s) may require. Add additional rows as needed. If providing permit information as attachments, list the filenames below.

Major Permits or Approvals Required	Approving Authority	Status	Expected Approval Date
2010 FSEIR	City of Huntington Beach	Approved	8/23/2010
Conditional Use Permit	City of Huntington Beach	Approved	8/23/2010
2017 FSEIR	CA SLC	Approved	10/19/2017
Modified Offshore Lease Agreement	CA SLC	Approved	10/19/2017
NPDES permit	RWB	Approved	4/29/2021
CA Water Code Determination	RWB	Approved	4/29/2021
CDP	CCC	Pending RWB Action	9/10/2021
2021 FSEIR Addendum	CA SLC	Pending RWB Action	8/31/2021
Water Purchase Agreement	OCWD	Under Negotiation	3/1/2022



Local Resource Program Financial Assistance	MWD	Pending CCC Action	12/14/2021
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**Please see Appendix A for a more complete list of approvals and conditions that must be met prior to the close of project financing.**

6. If applicable, specify if a new or relocated discharge, either permanent or temporary, to surface or groundwater is expected or new or relocated water intakes are expected.

**The HBDP project expects to use existing offshore intake and outfall pipelines that are currently used to support the once-through cooling operations at the AES Huntington Beach Generating Station. The use of these pipelines is expected to be discontinued prior to the start of operations at the HBDP in accordance with California's SWB 2010 Policy on the Use of Coastal and Estuarine Waters for Power Plant Cooling, also known as the Once-Through Cooling (OTC) Policy. Surfside is proposing to modify these existing pipelines to equip the intake pipeline with a 1-mm slot-width fish-friendly intake screen with a low through-screen velocity of 0.5 meters per second, and to add a multiport brine diffuser to the discharge pipeline. These modifications are intended to implement the best available technologies feasible to minimize unavoidable impacts to marine life. The use of existing pipelines also dramatically reduces the construction time, costs, and environmental impacts associated with the construction of new intake and discharge pipelines.**

**Please see Attachment 6 to Section E of this application for conceptual designs for the planned intake and discharge modifications.**

7. Additional forms will need to be completed and submitted prior to closing the WIFIA loan. Check all that are included with the application:

- ☒  epa\_form\_6600\_06.pdf
- ☐  SFLL\_1\_2-V1.2.pdf
- ☒  epa\_form\_4700\_4.pdf



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8. If the project(s) include acquisition of real property, identify how the project complies or will comply with [Uniform Relocation Assistance and Real Property Acquisition Policies Act](#) (Uniform Act).

The acquisition of real property to be completed using a portion of the financing proceeds intended for the construction of the HBDP project will comply with the Uniform Relocation Assistance and Real Property Acquisition Policies Act. Surfside, as a private limited liability company, does not have the power of eminent domain. Furthermore, the property to be acquired is currently owned partially by Applied Energy Services Corporation LLC (AES) through its subsidiaries AES Huntington Beach Development, L.L.C. and AES Huntington Beach, L.L.C., and partially by the City of Huntington Beach. Both AES and the City of Huntington Beach have agreed to sell the applicable parcels of property to Surfside on or after the HBDP's close of financing at a fair market value. Surfside currently has an existing Site Option Agreement with AES that will be converted into a Purchase Agreement at financial close. The entire project site is currently zoned as industrial and contains abandoned oil storage tanks that will be removed during the HBDP project's construction. There are no current residents living on the site that would be displaced by the project's construction.

The delivery system for the product water produced by the HBDP and purchased by OCWD has not yet been finalized. The final configuration of this distribution system will be contingent upon the final cost of the water and potential interest from other prospective water purchasers interested in purchasing desalinated seawater from OCWD. Once the design and location of the distribution system facilities have been finalized, OCWD may acquire certain necessary right-of-way to facilitate the construction of these facilities. OCWD is a responsible public agency with the power of eminent domain and will also be required to comply with the Uniform Relocation Assistance and Real Property Acquisition Policies Act.

## Section E: Contract Information

Complete the "Section E: Supplemental Spreadsheet." Instructions for each column are available on the first tab labeled "Instructions – Section E". Provide answers for each project in the application using separate rows designated, "Contract 1, Contract 2, etc."



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## CERTIFICATIONS

1. *National Environmental Policy Act:* The applicant acknowledges that any project receiving credit assistance under this program must comply with all provisions of the National Environmental Policy Act of 1969 (42 U.S.C. 4321 et seq.)
2. *American Iron and Steel:* The applicant acknowledges that any project receiving credit assistance under this program for the construction, alteration, maintenance, or repair of a project may only use iron and steel products produced in the United States and must comply with all applicable guidance.
3. *Prevailing Wages:* The applicant acknowledges that all laborers and mechanics employed by contractors or subcontractors on projects receiving credit assistance under this program shall be paid wages at rates not less than those prevailing for the same type of work on similar construction in the immediate locality, as determined by the Secretary of Labor, in accordance with sections 3141-3144, 3146, and 3147 of Title 40 (Davis-Bacon wage rules).
4. ~~*Credit Ratings:* This applicant has received a preliminary rating opinion letter(s) on the project's senior debt instrument, from one or more rating agencies. These letters or ratings are attached.~~  
**Please see the response to Question 4 in Section C.**
5. *Credit Processing Fees:* The undersigned certifies that it will reimburse EPA for its costs incurred in negotiating the credit agreement, irrespective of whether the credit agreement is executed.
6. *Lobbying:* Section 1352 of Title 31, United States Code provides that none of the funds appropriated by any Act of Congress may be expended by a recipient of a contract, grant, loan, or cooperative agreement to pay any person for influencing or attempting to influence an officer or employee of any Federal agency, a Member of Congress, or an employee of a Member of Congress in connection with the award or making of a Federal contract, grant, loan, or cooperative agreement or the modification thereof. EPA interprets this provision to include the use of appropriated funds to influence or attempt to influence the selection for assistance under the WIFIA program.

WIFIA applicants must file a declaration: (a) with the submission of an application for WIFIA credit assistance; (b) upon receipt of WIFIA credit assistance (unless the information contained in the declaration accompanying the WIFIA application has not materially changed); and (c) at the end of each calendar quarter in which there occurs any event that materially affects the accuracy of the information contained in any declaration previously filed in connection with the WIFIA credit assistance.

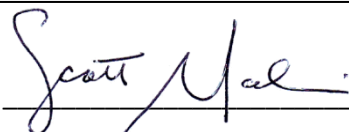
The undersigned certifies, to the best of his or her knowledge and belief, that:

1. No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of an agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.
2. If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement,



- the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.
3. The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.
- This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.
7. *Debarment:* The undersigned further certifies that it is not currently: 1) debarred or suspended from participating in any Federal programs; 2) formally proposed for debarment, with a final determination still pending; or 3) indicted, convicted, or had a civil judgment rendered against it for any of the offenses listed in the Regulations Governing Debarment and Suspension (Governmentwide Nonprocurement Debarment and Suspension Regulations: 2 C.F.R. Part 180 and Part 1532).
8. *Default/Delinquency:* The undersigned further certifies that neither it nor any of its subsidiaries or affiliates are currently in default or delinquent on any debt or loans provided or guaranteed by the Federal Government.
9. *Other Federal Requirements:* The applicant acknowledges that it must comply with all other federal statutes and regulations, as applicable. A non-exhaustive list of federal cross-cutting statutes and regulations can be found at : <https://www.epa.gov/wifia/wifia-resources#complianceanchor>.
10. *Signature:* By submitting this application, the undersigned certifies that the facts stated and the certifications and representations made in this application are true, to the best of the applicant's knowledge and belief after due inquiry, and that the applicant has not omitted any material facts. The undersigned is an authorized representative of the applicant.

Name: **Scott Maloni**  
Title: **Vice President – Project Development**  
Organization: **Poseidon Water LLC**  
Street Address: **5780 Fleet Street, Suite 140**  
City/State/Zip: **Carlsbad, CA 92008**  
Phone: **+1 (858) 663-8838**  
E-mail: **smaloni@poseidonwater.com**

Signature: 

Date Signed: May 21, 2021





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## KEY DEFINITIONS

- (a) *Administrator* means the Administrator of EPA.
- (b) *Community water system* has the meaning given the term in section 1401 of the Safe Drinking Water Act (42 U.S.C. 300f).
- (c) *Credit assistance* means a secured loan or loan guarantee under WIFIA.
- (d) *Credit agreement* means a contractual agreement between EPA and the project sponsor (and the lender, if applicable) that formalizes the terms and conditions established in the term sheet (or conditional term sheet) and authorizes the execution of a secured loan or loan guarantee.
- (e) *Eligible project costs* mean amounts, substantially all of which are paid by, or for the account of, an obligor in connection with a project, including the cost of:
  - (1) Development-phase activities, including planning, feasibility analysis (including any related analysis necessary to carry out an eligible project), revenue forecasting, environmental review, permitting, preliminary engineering and design work, and other preconstruction activities;
  - (2) Construction, reconstruction, rehabilitation, and replacement activities;
  - (3) The acquisition of real property or an interest in real property (including water rights, land relating to the project, and improvements to land), environmental mitigation (including acquisitions pursuant to section 33 U.S.C. §3905(7)), construction contingencies, and acquisition of equipment; and
  - (4) Capitalized interest necessary to meet market requirements, reasonably required reserve funds, capital issuance expenses, and other carrying costs during construction.
- (f) *Investment-grade rating* means a rating category of BBB minus, Baa3, bbb minus, BBB (low), or higher assigned by a nationally recognized statistical rating organization (NRSRO) to project obligations offered into the capital markets.
- (g) *Iron and steel products* means the following products made primarily of iron or steel: lined or unlined pipes and fittings, manhole covers and other municipal castings, hydrants, tanks, flanges, pipe clamps and restraints, valves, structural steel, reinforced precast concrete, and construction materials.
- (h) *Nationally Recognized Statistical Rating Organization (NRSRO)* means a credit rating agency identified and registered by the Office of Credit Ratings in the Securities and Exchange Commission.
- (i) *Project* means:
  - (1) Any project for flood damage reduction, hurricane and storm damage reduction, environmental restoration, coastal or inland harbor navigation improvement, or inland and intracoastal waterways navigation improvement that the Secretary determines is technically sound, economically justified, and environmentally acceptable, including—





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- (A) a project to reduce flood damage;
  - (B) a project to restore aquatic ecosystems;
  - (C) a project to improve the inland and intracoastal waterways navigation system of the United States; and
  - (D) a project to improve navigation of a coastal or inland harbor of the United States, including channel deepening and construction of associated general navigation features.
- (2) 1 or more activities that are eligible for assistance [under section 1383\(c\) of this title](#), notwithstanding the public ownership requirement under paragraph (1) of that subsection.
  - (3) 1 or more activities described in section [300j-12\(a\)\(2\) of title 42](#).
  - (4) A project for enhanced energy efficiency in the operation of a public water system or a publicly owned treatment works.
  - (5) A project for repair, rehabilitation, or replacement of a treatment works, community water system, or aging water distribution or waste collection facility (including a facility that serves a population or community of an Indian reservation).
  - (6) A brackish or sea water desalination project, including chloride control, a managed aquifer recharge project, a water recycling project, or a project to provide alternative water supplies to reduce aquifer depletion.
  - (7) A project to prevent, reduce, or mitigate the effects of drought, including projects that enhance the resilience of drought-stricken watersheds.
  - (8) Acquisition of real property or an interest in real property—
    - (A) if the acquisition is integral to a project described in paragraphs (1) through (6); or
    - (B) pursuant to an existing plan that, in the judgment of the Administrator or the Secretary, as applicable, would mitigate the environmental impacts of water resources infrastructure projects otherwise eligible for assistance under this section.
  - (9) A combination of projects, each of which is eligible under paragraph (2) or (3), for which a State infrastructure financing authority submits to the Administrator a single application.
  - (10) A combination of projects secured by a common security pledge, each of which is eligible under paragraph (1), (2), (3), (4), (5), (6), (7), or (8), for which an eligible entity, or a combination of eligible entities, submits a single application.
- (j) *Public entity* means:
- (1) a Federal, State, or local Governmental entity, agency, or instrumentality; or
  - (2) a Tribal Government or consortium of Tribal Governments.
- (k) *Publicly sponsored* means the obligor can demonstrate, to the satisfaction of the Administrator that it has consulted with the affected State, local or Tribal Government in which the project is located, or is otherwise affected by the project, and that such government supports the proposed project. Support can be shown by a certified letter signed by the approving municipal department or similar agency, mayor or other similar designated authority, local ordinance, or any other means by which local government approval can be evidenced.



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- (l) *Small Community* means a community with a population of no more than 25,000 individuals.
- (m) *State* means any one of the fifty states, the District of Columbia, Puerto Rico, or any other territory or possession of the United States.
- (n) *State infrastructure financing authority* means the State entity established or designated by the Governor of a State to receive a capitalization grant provided by, or otherwise carry out the requirements of, title VI of the Federal Water Pollution Control Act (33 U.S.C. 1381 et. seq.) or section 1452 of the Safe Drinking Water Act (42 U.S.C. 300j-12).
- (o) *Term sheet* means a contractual agreement between EPA and the project sponsor (and the lender, if applicable) that sets forth the key business terms and conditions of a Federal credit instrument. Execution of this document represents a legal obligation of budget authority.
- (p) *Treatment works* has the meaning given the term in section 212 of the Federal Water Pollution Control Act (33 U.S.C. 1292).
- (q) *WIFIA* means the Water Infrastructure Finance and Innovation Act of 2014, Pub. L. 113-121, 128 Stat, 1332, codified at 33 U.S.C. §§ 3901-3914.